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THE FINANCIAL PROBLEMS OF ITALY

BY F. QUATTRONE,

General Secretary, High Commissioner of Italy.

In America's social organization, which is based upon individual liberty and in which every economic enterprise has had capital as its basis, all energy, all means of production have always been concentrated in the most appropriate way, and the entire available capital has always been employed in the most intensive manner.

The country's very large production and the wide extent of its trade have produced enormous wealth. Thus, when the supreme moment of decision arrived, this wealth converged towards the realization of great democratic and humanitarian ideals, which are the basis of President Wilson's policy, and other currents of capital flowed towards the success of your liberty loans, in order that your government might be placed in a position to take a powerful part in the solution of the financial problems of its European allies.

To accomplish this great and strenuous task which America has undertaken, there are required men who can face a superhuman work of preparation to overcome the greatest difficulties. Men of strong fiber, intelligence and endurance, able to give impulsive force to the new course that the finance of the United States has been called upon to take. America has had these men and it is now with respect and emotion that I mention the names of William G. McAdoo and Oscar T. Crosby. Only through the activity of these two men and that of all of their coadjutors, has the United States been able, up to the present time, to grant to the Allies a loan of \$2,851,000,000, while the second liberty loan has also proved a great success.

What are the economic difficulties of the Allies? What are Italy's sufferings? What are we, ourselves, in this cataclysm which has turned the world into chaos? Let us have a broader vision of this war. What matters most is that civilization might be reconstructed, and that the world might be reorganized for the cause of liberty, justice and peace.

The Allies are concentrating all their efforts; Italy stands now in the first line ready to endure with incredible sacrifices of abnegation the most tremendous attack of the Austro-German forces. But notwithstanding these conditions, we feel sure that in the end, the unity of Europe will not be formed under the heel of the junker, and then America will realize the part played by her in the unity of all democratic Europe.

Let me say a few words about Italy. I shall confine myself to financial matters. The financial situation contains, often in itself, virtues, sacrifices and the destiny of a nation—and this is the true case with my country. At the outbreak of the war, in order to meet with the enormous requirements of her army and navy, Italy made appeal first of all to internal savings: four internal loans have been floated for the amount of four billions francs, and this the entire nation has answered unanimously. But loans are not sufficient to keep up the needs of a nation; they must be supplemented by a constant flow of other revenues. From this follows what we call “fiscal policy,” or in other words “system of taxation.”

In normal times, prior to the war, we had direct taxes on land and properties, income taxes, taxes on business transactions, on the manufacture of the most important and indispensable products (as sugar, oil, bicycles, motorcycles, automobiles, alcohol, beer, gas, electricity, etc.), customs house duties and maritime charges. We had a monopoly of tobacco, salt, postal facilities, telegraphs and telephones, and the government took over the management and control of the entire system of railways together with certain steamboat lines between the continent and the islands of Sardinia and Sicily. The collection of all these revenues wisely managed was sufficient to cover the enormous expenses sustained by the state.

How many other sacrifices have been undergone by capital, property and Italian labor on account of these high national aims?

I repeat that the financial situation of a people sometimes reveals great virtues: I can tell you that the payment of fiscal contributions in my country is a sentiment of duty as deep as religion.

When the war broke out the Italian government could not do otherwise than to take recourse again in its most secure sources of revenue. New sacrifices have been asked, much heavier demands have been made on the old revenues, increases in the prices of all monopolized articles have been applied, postal, telephone and tele-

graph rates also have been increased; railway facilities have been curtailed; while new government monopolies have been created, such as the manufacture of matches, playing cards, and recently the manufacture of shoes.

All of the existing taxes for the manufacture of the most indispensable and important articles have been raised again and war taxes have been imposed on theaters, moving pictures, automobiles, driving horses, carriages and servants. The whole amount so collected by the Italian government during the fiscal year 1916-1917 reached the figure of 3,207,226,394 lire against 1,854,023,147 lire collected during the fiscal year 1914-1915.

Notwithstanding these facts, our system of taxation had to attain a higher goal full of significance and results. It was necessary for my government to deal also with excess war profits and find in the industries created by the war a new source of revenue; in such way a limit has been put to the enrichment of those making big profits out of the war industries. A new tax has been imposed and consequently from 60 per cent to 80 per cent of the profits of the Italian manufacturers and merchants is passing from them into the Italian Treasury.

Later the extraordinary emergencies of the war have compelled us, as France and England, to avail ourselves of the loans of money granted by the United States.

My country, which has almost six million sons in the war, is the country of labor. Labor is the force which creates and augments national prosperity. Many of you who have travelled in Italy in times of peace were attracted by the beauty of the landscape, by the ruins of our ancient civilization, but perhaps did not have time or wish to examine the economic progress of Italy in the new century.

I do not wish to tire you with figures, but cannot refrain from mentioning some significant data showing our economic development. I shall not dwell upon metallurgic industries; which, for example, while in 1901 produced only 15,000 tons of pig iron and 123,000 tons of steel, in the year preceding the war had attained respectively 379,000 tons of pig iron and 800,000 tons of steel. I shall not emphasize the fertilizing industries, which from 900,000 tons produced in 1900 has attained a production of over one million tons in 1913.

Quite apart from the fact that in 1913 the mercantile marine also has doubled the tonnage of imports, and the export trade with the United States has been doubled in comparison with the year 1900, I wish only to remind you that Italy has a potentiality of four million horse power of hydrodynamic force, of which 24 per cent has been already utilized. I think that the following résumé, regarding the disposable amount of hydraulic power, in comparison with the percentage of utilization, can give you an idea of the progress attained already in my country and of what its industrial future will be:

HYDRAULIC POWER

	Disposable (1000 H. P.)	Utilized, per cent
Switzerland	2,000	25.5
United States	28,000	24.9
Italy	4,000	24.0
Canada	8,094	21.0
Norway	5,500	20.4
Sweden	4,500	15.6
France	5,587	11.6
Spain	5,000	8.8
England	963	8.3

In comparison with the territorial surface we have respectively the following which shows the amount of hydraulic power per square mile utilized:

	H. P. per square mile	
	Disposable	Utilized
Switzerland	125.20	32.00
Italy	43.80	10.70
Norway	44.30	9.02
Spain	26.00	4.08
Sweden	26.00	4.08
France	27.00	3.14
United States	9.30	2.31
Canada	8.74	1.83
England	10.90	.91

The immense reserves of our Alpine blue waterfalls and those of the Appenines are gradually being utilized and the so-called white-coal will solve the most serious problem of my country: a long system of electric wire will be extended throughout the Italian peninsula, like so many arteries carrying life through the human body.

I said that labor is the force that creates and increases the prosperity of a nation. You may see at close range what a precious contribution of industrious and intelligent labor has been given in this prosperous country by the Italian immigrant, and you can follow also the progress of this large colony of ours. While the Italian emigration to the United States during the year 1880 was only 11,000 persons, in 1901 it reached 125,000 and in 1913 about 407,000. We in Italy say that the biggest Italian city is New York, where about 700,000 Italians are living.

In the meantime the Italian population increased from thirty-two millions in 1901 to thirty-seven millions at the present time. This increase means, for a country, an increase of its active forces, of its political power, an enlargement of its social, intellectual and political problems.

The six million men will return after the war to the farms, to the industries, to the profitable work coming after peace, and there my country, notwithstanding the temporary reverses suffered, will grow stronger and with its immense work will certainly give proof of having well deserved the confidence placed in her by American capital in the time of need.

May your country, inspired and with the full knowledge of the sacrifice of blood, money and property endured by all the allied powers, realize the necessity of coöperating with your government for the triumph of a universal and real democracy, based on the principle of liberty and justice.